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December 2, 2003

Aaron T. Borrowman, Reg. No. 42,348 Date



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GROUP 36C

PATENT

In re Application of)	Group Art Unit: 3622
James R. Muldoon)	
Serial No. 09/612,156)	Examiner: Arthur D. Duran
Filed: July 7, 2000)	
For: AUTOMATED COUPON)	Docket No. MULD-36045
DISTRIBUTION SYSTEM)	

DECLARATION OF MICHAEL E. BANKS, PhD

I, MICHAEL E. BANKS, hereby declare as follows:

1. As shown in my curriculum vitae (attached hereto as Exhibit A), I have a PhD in marketing and over 30 years of broad United States and international experience in retail, advertising, Internet and Customer Relationship Marketing. I have consulted for the Universal Product Code Council. I have a great deal of experience and expertise in retail advertising and marketing, particularly product promotion and coupon or product rebate systems and methodologies, including Internet discount offers, electronic coupons, and in-store coupons.

2. I have thoroughly reviewed the October 3, 2003 Office Action and the cited U.S. Patent No. 6,321,208 to Barnett et al., and U.S. Patent No. 5,857,175 to Day et al. I am familiar with the invention and have reviewed the present application. In my opinion, no analyst or one with expertise in this field could conclude that the Barnett and Day patents overlap with the invention due to the differences in methodology, process and product between each.

3. In this field, supermarket frequent shopper programs are well-known. These programs began in the late 1980s and, when originally conceived, were designed to collect customer purchase data for Customer Relationship Management programs based on the information. Customer loyalty to the supermarkets was also an intention of the programs. Current estimates place the use of frequent shopper card programs at 75% of the 30,000 supermarkets in the United States.

4. Although the original intention of such supermarket frequent shopper programs was to utilize the data for Customer Relationship Management programs, today these programs are only used to facilitate a two-tiered pricing system, i.e., advertised items are discounted for card-carrying members and regularly-priced for non-members. Customer Relationship Management programs have not evolved due to the lack of expertise, lack of viable delivery options for offers, expense and privacy concerns. Supermarkets do not have the expertise to develop marketing promotions from the raw data they have collected from their frequent shopper programs. Even if supermarkets were to develop such marketing promotions, they would not be able to deliver them cheaply and discretely to their shoppers. The already expensive option of direct mail would be made even more expensive because each piece of mail would be different, plus the names and addresses of the shoppers would then be connected to the offers, creating privacy issues. The offers cannot be delivered by e-mail because supermarkets do not collect e-mail addresses, and not all customers have e-mail. Even if the supermarkets were able to e-mail or direct mail the promotional rebates and offers to their shoppers, these targeted promotional delivery methods suffer from "slippage," which is when customers forget to bring their offers to the store when they shop.

5. Notwithstanding these shortcomings, supermarkets have continued their frequent shopper card programs. This is due, in part, to

the fact that customers have embraced loyalty card programs and are used to participating in order to receive discounts. Also, any mature supermarket frequent marketing program represents an investment of millions of dollars for the software, its integration, the database and its maintenance. Further, the cost of the cards and their distribution is considerable. Few supermarket companies are willing to back away from an investment of this size. Thus, there has remained the need for a viable way for supermarkets to maximize this investment and use the valuable data that has been collected and stored by the supermarket frequent shopper programs over the years (which constitutes data by shopper, by item, by price, by date, over time, and by total shopping cart).

6. The present invention provides a method for providing:

1) precise targeting based on accumulated purchase data;

2) high-value offers;

3) inexpensive in-store delivery of offers during the shopping trip

to avoid slippage;

4) a closed-loop system that conceals shopper identity to maintain privacy; and

5) a degree of retailer control.

7. The present invention accesses the historical purchase behaviors stored in a retailer's total-basket frequent shopper program database to determine the kinds of offers that would be most attractive to each individual frequent shopper. These offers are then delivered in-store via paper coupons printed by a dedicated printer and are triggered by the swipe of a customer's frequent shopper card. Because retailer total-basket frequent shopper purchase data is identified to Couptron only by the shopper's card number, no names, addresses, e-mail addresses, or telephone numbers are accessed, and the retailer can control all data transfer. The coupons are retailer-specific, and retailer coupons can be dispensed along with manufacturer coupons. No manufacturers or other outside entities would have access to any data, except gross distribution

MULD-36045
SN: 09/612,156
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and redemption numbers by retailer, date, time of day, offer level, and item. Manufacturers can also request data for "associated items" which would help them pair their products with other products, and allow them to obtain gross household data such as who has pets or children (as evidenced by their purchases only). The unique targeting capability of the present invention allows an infinite variety of offers, including variable discounts, flavors, and sizes. Additionally, manufacturers can ensure that they do not provide offers to shoppers who historically would buy their product anyway.

8. The Barnett patent is directed to on-line distribution of electronic coupons (Internet coupons). In my opinion, both on its face and in depth, the Barnett patent shares only a single similarity with the invention, which is the distribution of manufacturer coupons for consumer packaged goods and products. I see six basic differences between the invention and the Barnett patent, including methodology, delivery, data collection, retailer involvement, targeting, and privacy.

9. With respect to methodology, the Barnett system does not utilize the retailer's frequent shopper program database. Instead, Barnett invites Internet users to a website that carries a variety of offers, none of which is targeted in a traditional sense. Upon "joining" and providing certain private data, the user is allowed to "self-target" by selecting and printing coupons for use at any retailer carrying the products. This site is manufacturer-centric rather than retailer-centric, and all site activities are reported to manufacturers who then compare their eventual redemption, if possible, with actual downloads of coupons. In my opinion, the Barnett system is best used to help manufacturers test various levels of discounts so they can select the most efficient offers for eventual use in Sunday newspaper coupon inserts, referred to as Free Standing Inserts (FSIs).

10. The invention offers are printed in-store during the shopping trip, are retailer-specific, and are guaranteed to be redeemed by the

retailer due to the retailer's involvement with the invention. In contrast, the Barnett system coupons are printed at home using a personal computer and printer after being downloaded from the Internet. They must be printed in color on high-end paper stock and the shoppers must remember to take them to the store. Any retailer carrying the product can redeem these coupons, but it is my experience that many retailers refuse them as no effective method has been developed to prevent fraud in the use of electronic coupons delivered via personal computer and printer. In fact, a recent spate of fraudulent Internet coupons in the Southeast United States has caused several supermarket chains to discontinue honoring them. This problem would not be experienced by the invention because its coupons are printed in-store with retailer approval.

11. Barnett collects personal membership data, which at the very least includes name, age (to help in distribution of alcohol and tobacco offers), and e-mail addresses. This type of Internet activity is tracked by placing Webtrends or other "cookies" on the member's computer to monitor which offers they view and select. Additionally, it is common for services of this type to place "spyware" on members' computers to monitor their use of other Internet sites. Privacy is a huge issue in targeted marketing, and the Barnett model would expose members to manufacturer intrusion via Internet cookies, spyware, and spam e-mail. In contrast, the invention maintains the anonymity of the frequent shopper program members by using only their frequent shopper numbers and past product purchase history.

12. Barnett system users can "self-target" by selecting offers they prefer, which allows existing brand users to obtain unneeded purchase incentives. The Barnett system can target in no other way. In contrast, the invention uses the rich database of previous purchase behavior and up-to-the-minute record of redemptions of its in-store issued coupons. Thus, the invention can offer manufacturers a "decision tree" matrix program that makes offers, records redeemed coupons as "accepted"

offers, and non-redemption within a week or so as "unaccepted" offers. This "yes - no" model allows manufacturers to make higher offers or different offers to the "no" shoppers, and offer new flavors, sizes, or companion products to the "yes" shoppers.

13. As discussed above, Barnett provides for no retailer involvement. The coupons are not retailer-specific, they are not guaranteed to be redeemed by retailers, they are not delivered in a store, they do not use retailer frequent shopper data, and there is no provision for retailer coupons for, say, the fresh meat or produce department. Despite the Barnett claim of purchase data collection for individual members through a "user-specific identification indicia" printed on each coupon, purchase behavior for the Barnett system is nearly impossible to obtain. Retailers send all redeemed coupons to coupon clearinghouses where it is extremely difficult to separate Internet-issued coupons from all other coupons for analysis. Those clearinghouses that can perform this function charge an extremely high premium for this service. Thus, the Barnett system would most likely collect data on which coupons were viewed and which were downloaded only. Nonetheless, as indicated above, Barnett simply does not use the retailer's frequent shopper program member data in any manner.

14. It is my opinion that no analyst or expert in this field could conclude that the Barnett patent and present invention overlap. Neither cursory observation nor in-depth inspection reveals similarities in methodology, process, or product.

15. In examining the Day patent, I see eight specific areas of difference between it and the present invention. They are: customer identification method; composition and location of database; how offers are selected for shoppers; connection to retailer's front-end point of sale systems; number of offers available to shoppers; paper coupons versus electronic coupons; home store concept; and price look-up function.

MULD-36045
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16. Perhaps the most obvious difference between the Day system and the invention is the way in which customers identify themselves during a shopping trip in order to receive their offers. While the invention simply employs retailer's existing frequent shopper cards for identification, Day would create an additional card to be used just with their kiosks. Day's additional card creates three conditions: First, shoppers would have to swipe two cards at the checkout instead of just one. Second, the Day cards could be used in competitors' stores. Third, the separate card creates the need for a separate database with its attendant access and privacy considerations.

17. The present invention employs the retailer's existing frequent shopper database to determine which offers would be most interesting to each customer based upon the customer's prior purchase history. The Day patent, on the other hand, creates its own database from scratch on a computer in each store and does not encourage use of the retailer's existing frequent shopper loyalty card program. This approach greatly weakens its targeting ability because of the lack of historical purchase behavior in the first several months of the program. The offers are also sorted differently, weakening their targeting by moving those with the greatest percent of discount to the top of the list regardless of the customer's interest. Finally, the retailer has no control over this database.

18. The Day system selects offers for shoppers after they actually swipe their Day card in a Day kiosk. Offers are based on limited targeting information acquired over time by the Day system, which is stored in a small proprietary database at each store. All shoppers receive the same identical number of offers, even if some are not of interest to them. Day prioritizes offers by the percent of savings from the regular retail price, again despite the fact that some of these higher-savings items may not be of interest to the shopper. In contrast, the invention can vary the number of offers, taking into account each frequent shopper card holder's unique purchase history. These offers are dispensed according to an algorithm

that calculates which will be of higher interest to each shopper. The offers, in accordance with the present invention, are pre-selected for every shopper and downloaded to their favorite store locations each night, ready to be printed. These targeted offers are based on each shopper's purchase history stored in the retailer's frequent shopper database, and only gives them coupons that are narrowly targeted to their preferences. Thus, the shopper receives no meaningless coupons.

19. The Day system has a two-way connection to the retailer's front-end point of sale for at least two reasons: First, Day features electronic rather than paper coupons. And second, Day must collect transaction information from shoppers swiping Day-issued cards during checkout in order to build a home store purchase behavior database. Connecting to the front-end point of sale system requires costly wiring and software integration, as well as its attendant problems. Also, Day system coupons have very limited life, typically three hours before they automatically expire. The invention is not connected to the front-end point of sale system, thus eliminating costly wiring and software integration problems and enabling the system to issue printed coupons which have a much longer expiration date so as to be used on a subsequent shopping trip.

20. The present invention accesses retailer's frequent shopper databases, which are located at the retailer's headquarters. The offers are downloaded ahead of time to any number of retail store locations, typically the stores the shopper frequents. Thus, the offers can be printed almost instantaneously upon shopper identification. In contrast, the Day system utilizes a home store database to compile and track purchase histories. If a shopper swipes a Day card at a kiosk in a different store of the same chain, that store's Day controller has to remotely communicate with the customer's home store controller. Once this is completed, the home store must then interrogate its database of purchase histories and available offers and make its selections. These selections are then

features of both systems would not produce a workable, targeted coupon delivery program in today's marketing environment, especially if the essential partnership of retailers is desired. Such a system would collapse under its own ponderous complexity and expense, while still not overlapping with the critical features of the invention as described above. The simplicity of the invention sets it apart. The invention partners with retailers and uses their own frequent shopper databases and in-store printing of paper coupons which eliminates the complexity, cost, and disadvantages of the Day and Barnett systems. Thus, I fail to see how the Barnett and Day patents render the invention obvious.

I further declare that: all statements made herein of my own knowledge are true and all statements made on information and belief are believed to be true; and these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code, and that such false statements may jeopardize the validity of the application or any registration resulting thereon.

Dated: November 26, 2003

By: _____
Michael E. Banks, PhD.

Attachment:

Exhibit A - Curriculum Vitae

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Michael E. Banks, PhD.

Michael E. Banks
PhD

Attachment:
Exhibit A - Curriculum Vitae

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GROUP 3600**Michael E. Banks, PhD**
- Contemporary Marketing -1010 Cedar Lane Ct., Danville, CA 94526 • 916.296.0092 • docbanks@msn.com

High-energy marketing veteran with broad US and international experience in retail, advertising, Internet, and Customer Relationship Marketing (CRM). Accomplishments and successes in In-Store Marketing and in CPG manufacturing, marketing, and retailing. Extensive start-up and turn-around experience.

BrainTrust Panelist for RetailWire (www.retailwire.com), which provides daily commentary on all matters retail by a broad selection of industry experts. Marketing Consultant to the OlymKidz® child obesity program, the 2012 New York Olympic Bid Committee, and Comprehensive Industrial Disability Management (saving California employers \$millions annually on workers' compensation costs, www.cidmcorp.com).

President US Ops, Global Online Limited - Auckland, NZ & San Ramon, CA**1999 - 2003**

In-store promotion firm with unique, breakthrough intellectual property. The pilot program increased sales significantly for major UK and NZ retailers. (www.kachingo.co.nz)

CTO & EVP Marketing, eSave Network, Inc. - Purchase, NY**1994 - 1999**

Internet marketing company provided exclusive manufacturer rebates to members via website. Clients included Kellogg's, Del Monte, Arm & Hammer, and many other CPG brands.

Vice President of Advertising, Raley's Supermarkets - Sacramento, CA**1992 - 1994**

Consumer Reports has rated Raley's the top supermarket chain in the US.

Sr. Director & VP, Retail Marketing, Catalina Marketing - Anaheim, CA**1987 - 1992**

Leading in-store marketing company serving 16,500 supermarkets nationwide.

Vice President, D'Arcy Masius Benton & Bowles Advertising - San Francisco**1985 - 1987**

Chief advertising/marketing executive for commodity brands such as SunMaid, and head of new business team. Won CLIO award for the Dancing Raisins *Heard It Through The Grapevine* campaign. Also during this period, while consulting for 7-Eleven stores, I participated in winning two Gold Lions For Advertising from the Cannes Film Festival for re-introducing the *Oh Thank Heaven* campaign.

Dir. of Acct. Svces., Safeway Stores, Ketchum Advertising - San Francisco**1983 - 1985**

Chief marketing executive for strategic planning, research, media, and creative for the Safeway Stores, Inc., corporate advertising account. Won CLIO award for best computer animated campaign of 1984 for the Canned Food Information Council.

Sr. Account Exec., Kroger Stores, Campbell-Mithun Advertising - Chicago**1981 - 1983**

Directed activities of 34 account, media, research, and creative professionals responsible for annual national broadcast budget of \$80 million.

Fleming Foods, Oklahoma City**1971 - 1981**

Advertising Director for the Topeka, Kansas City, and Philadelphia Divisions of the (then) premier food wholesaler in the U.S.

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GROUP 3600



Consultancy Experience

- ▶ Heileman Brewery
- ▶ 7-Eleven Stores, Southland Corporation
- ▶ Mrs. Fields Brand
- ▶ Kmart Corporation
- ▶ St. Mary's Hospital, San Francisco
- ▶ Meijer Supermarkets
- ▶ BI-LO Supermarkets
- ▶ General Nutrition Corporation (GNC)
- ▶ City and County of San Francisco
- ▶ Michael's Arts & Crafts Stores
- ▶ Safeway Brands
- ▶ Blue Ridge Virtual Private Networks
- ▶ SuperValu Inc.
- ▶ Woolworth's
- ▶ Kentucky Fried Chicken
- ▶ British Petroleum
- ▶ Georgia Pacific

Education

Bachelor of Science in Marketing and Advertising, 1971; University of Kansas – **Graduated in accelerated program at the age of 18**

PhD in Marketing, Phi Beta Kappa, 1988; Extension Program of La Sainte College, UK, at the University of Texas at Arlington

Accomplishments & Awards

- 1982** ▶ Designed and sold \$80 million annual national Tv co-op program for Kroger
- 1984** ▶ CLIO for account services for best computer-animated Tv commercial for the Canned Food Information Council
- 1986** ▶ Gold EFFY (for effectiveness) from the American Marketing Association for BI-LO's "Walter" campaign
- 1987** ▶ CLIO for creative for *Heard It Through The Grapevine* campaign for Raisin Advisory Board
- 1988** ▶ Two Cannes Film Festival Gold Lions for re-introduction of 7-Eleven's (Dallas, TX) *Oh Thank Heaven* campaign
 - ▶ Phi Beta Kappa, Doctoral Studies, Extension Program of La Sainte College, UK, at the University of Texas, Arlington. Thesis examined consumer communication efficiency and dynamics vis-à-vis in-store signs for seven thousand 7-Eleven stores, the largest in-store sign program in the world.
 - ▶ Designed and sold \$75 million annual national Tv co-op program for 7-Eleven
 - ▶ Co-developer of 7-Eleven's Quarter Pound Hotdog program, and helped negotiate replacement of all seven thousand fountain installations by Coca-Cola
- 1987-92** ▶ Contributed to growth of *Checkout Coupon* retail marketing program from 1,500 stores to 7,000 stores while at Catalina Marketing
- 1994-99** ▶ Co-authored the design, development, and implementation of the first Internet CPG (Consumer Packaged Goods) rebate program
- 2000-03** ▶ Co-designed and implemented the largest, most comprehensive Customer Relationship Marketing (CRM) database in the world for Global Online Limited in New Zealand, including Campaign Management, Predictive Modeling, and the broadest purchase-behavior database ever constructed